

## Unique Health Identifier Rule 02-04

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Practice Area: Health Law

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As part of the movement toward administrative simplification and standardization in health care transactions, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") included provisions requiring the implementation of standardized national identifiers for health care providers. On January 23, 2004, the Department of Health and Human Services ("DHHS") published the final Standard Unique Health Identifier Rule for Health Care Providers. The Final Rule establishes a standard for assigning a unique health care provider identifier, or National Provider Identifier ("NPI"), and promulgates implementation specifications to guide health care providers in obtaining and using the NPI.

### **WHAT IS THE NPI?**

Currently, providers are assigned a different identification number by each public and private payor. Managing multiple identification numbers causes inefficiencies that, among other things, can result in delayed payment or rejection of health care claims – often due to processing errors. The Final Rule establishes a standard for developing a unique health identifier for health care providers, and creation of a National Provider System for assigning and maintaining NPIs. The National Provider System will be a central electronic numerating system operating under the oversight and management of DHHS. The NPI is a 10-digit numeric identification number. The final number will be a "check digit" to reduce the potential for data entry errors. The NPI is essentially "intelligence free," which means that it cannot be used to obtain specific information about the health care provider. Use of an intelligence free identifier also prevents the need to assign a new number or continuously update information as the provider changes its practice or corporate structure.

The NPI is intended to be a permanent identifier. New NPIs will not be required for a change of ownership or change in corporate structure. However, the preamble to the Final Rule acknowledges that there may be situations that warrant deactivation of an NPI, such as when a health care provider's NPI was fraudulently used by someone else.

### **WHO WILL GET AN NPI?**

All health care providers, whether individuals or entities, will be eligible for an NPI. However, only those health care providers that meet the definition of a "Covered Entity"<sup>1</sup> ("Covered Health Care Providers") are required to obtain and use an NPI for itself and for any subpart of the Covered Entity that would be a Covered Health Care Provider if it were a separate legal entity. Health care providers are permitted to obtain separate NPIs for various physical locations or organizational components. From a practical perspective, this means that organizations that have numerous components that are separately certified or licensed will likely need to obtain a different NPI for each component, or subpart as they are referred to in the Final Rule.

### **WHAT IS THE COMPLIANCE DATE?**

The compliance date for the Final Rule is May 23, 2007, with the exception of "small health plans," which must comply by May 23, 2008.<sup>2</sup> All covered Health Care Providers must have obtained and begin using an NPI as of the applicable compliance date.

### **WHAT ARE THE USES OF THE NPI?**

Each Covered Health Care Provider must obtain an NPI for itself and, if applicable, its subparts, and must use its NPI in connection with all of its Standard Transactions<sup>3</sup> by the compliance date. Covered Health Care Providers also must disclose their NPIs to other entities that need the NPI to conduct Standard Transactions. Covered Health Care Providers must also require that business associates use the NPI when conducting or participating in Standard Transactions on behalf of the Covered Health Care Provider.

Health plans and health care clearinghouses are required to use the NPI to identify the Covered Health Care Provider on all Standard Transactions. In an attempt to facilitate an efficient and coordinated system, health plans are permitted to require that non-Covered Health Care Providers obtain an NPI for purposes of identifying the provider. The NPI may also be used for any other lawful purpose requiring the unique identification of a health care provider. Examples of permissible uses include:

- As a cross-reference in health care provider fraud and abuse files and other program integrity matters.
- Identification of health care providers for debt collection under the provisions of the Debt Collection Improvement Act of 1996.
- Identification of the health care provider in non-Standard Transactions and on related correspondence.
- Identification of other health care providers in transactions and on related correspondence.
- Coordination of benefits with health plans.
- Identification of individual health care providers in medical records.

### **WHAT HAPPENS NEXT?**

The Final Rule becomes effective on May 23, 2005. In anticipation of the effective date, DHHS will have to devote a significant amount of time and resources to develop and test the National Provider System. Payors and providers will have to consider what, if any, changes will need to be made to ensure that their systems are compatible with the NPI. The applications for NPIs, however, will not be available until 2005 and will not be accepted until after the Final Rule becomes effective.

The Final Rule leaves many questions unanswered, especially with regard to the practical implications associated with the move toward a single provider number.

<sup>1</sup> The HIPAA Privacy Regulations define "Covered Entity" as "a (1) health plan; (2) a health care clearinghouse; or (3) a health care provider who transmits any health information in electronic form in connection with a transaction covered by this subchapter." See 45 C.F.R. § 160.103.

<sup>2</sup> The HIPAA implementing regulations define a "small health plan" as a health plan with annual receipts of \$5 million or less. See 45 C.F.R. § 160.103.

<sup>3</sup> The term "Standard Transaction" is defined in the final Standards for Electronic Transactions rule. See 45 C.F.R. § 162.103.

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